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***SCOTTSDALE CITY COUNCIL***

Sam Kathryn Campana, Mayor  
Councilman Greg Bielli  
Councilwoman Mary Manross  
Councilman Robert Pettycrew  
Councilman Donald Prior  
Councilman Dennis Robbins  
Councilman Richard Thomas

**RICO JUSTICE**

Verification of the Scottsdale Police Department's federal RICO program activity found it is consistent with the requirements set out in U.S. Department of Justice guidelines.

**Report No. 9665  
April 1997**



April 16, 1997

To the Most Honorable Sam Kathryn Campana, Mayor  
and the Members of the Scottsdale City Council:

Transmitted herewith is the RICO Justice audit report (Report No. 9665). The audit was conducted to fulfill U.S. Department of Justice requirements imposed on local law enforcement agencies that receive or maintain federal RICO funds in excess of \$100,000 in a single year. The report is formatted to comply with the nature of the Department of Justice requirements. Ramon Ramirez was the auditor-in-charge on this assignment which is our third review of the Police Department's RICO program since 1991. As a result of our audit work, nothing came to our attention that caused us to believe that the Police Department failed to comply with material Department of Justice requirements governing the use of federal RICO funds.

Respectfully submitted,

A handwritten signature in cursive script that reads "Cheryl Le Barcala".

Cheryl Barcala, CIA, CPA, CFE, CGFM

**Independent  
Auditor's Report on  
the Scottsdale Police  
Department's  
Compliance with  
Federal Equitable  
Sharing Program  
Requirements**

We have completed our audit of the Scottsdale Police Department's administration of its Federal Equitable Sharing Program (federal RICO program) for the period beginning July 1, 1995, and ending June 30, 1996 (fiscal year 1995/96). The audit was conducted to determine whether the Scottsdale Police Department is in compliance with the requirements set out by the U.S. Department of Justice "Guide to Equitable Sharing Of Federally Forfeited Property For State And Local Law Enforcement Agencies" (Federal Guide).

We conducted our audit in accordance with generally accepted government auditing standards and as required by Article III Scottsdale Revised Code Section 2-117 *et seq.*, with one exception. The last peer review of the City Auditor was completed April 5, 1991. Thus, we currently do not comply with the standards' three-year peer review cycle requirement.

Per our audit analysis, the following information represents the Scottsdale Police Department's federal RICO program activity for fiscal year 1995/96:

**SCOTTSDALE POLICE DEPARTMENT  
FEDERAL RICO ACTIVITY  
FY 1995/96**

Beginning Balance	\$1,812,955
Federal RICO Revenue	221,704
Interest Earned	81,428
Federal RICO Expenditures	(904,310)
Ending Balance	<u>\$1,211,777</u>

Related to the above activity, we performed the audit work necessary to verify that the Scottsdale Police Department manages, tracks, and controls federal RICO program activity in a manner consistent with the requirements set out in the Federal Guide.

We assessed the internal control environment within the Scottsdale Police Department as it relates to ensuring compliance with the Federal Guide. Interviews were conducted with Police Department and Accounting Division personnel involved with either administering, managing, monitoring, tracking, posting, or reporting federal RICO activity. Because, per Arizona statute, the Scottsdale Police

Department deposits its RICO monies in a fund administered by the County Attorney's Office, we also interviewed the County Attorney's RICO Administrator to obtain insight into applicable controls and related activity. Relevant documents were reviewed as well as policies, procedures, and practices used in administering the federal RICO program. Tests were performed on documents and samples for fiscal year 1995/96 revenue and expenditure transactions to verify their accuracy, propriety, and compliance with the Federal Guide.

In connection with our audit, nothing came to our attention that caused us to believe that the Scottsdale Police Department failed to comply with material requirements governing the maintenance and use of federal RICO funds as set out by the Federal Guide. We did identify an opportunity for the Scottsdale Police Department to improve the control environment. That opportunity is presented in Attachment I of this report.

This report is intended solely for the information of the Scottsdale Police Department, City management, and the U.S. Department of Justice and should not be used for any other purpose. This restriction is not intended to limit distribution of this report which is a matter of public record.

## **ATTACHMENT I** Internal Controls Over The Receipt Of Federal RICO Checks Could Be Improved

**Finding** Federal sharing RICO checks are received at the Scottsdale Police Chief's office and are sent to the Department's RICO Administrator. The Department's RICO Administrator is responsible for delivering the checks to the County Attorney's RICO Administrator for deposit into their Anti-Racketeering Revolving Fund. Prior to delivery for deposit, checks are not stamped with a restrictive endorsement.

The Federal Guide requires participating state and local law enforcement agencies to implement standard accounting procedures and internal controls to track federal RICO monies. It further suggests that all checks be restrictively endorsed immediately upon receipt in order to safeguard assets. Unrestricted checks present a control risk during the time prior to deposit. Further, following the Federal Guide's suggested procedures would provide added assurance of required compliance.

**Recommendation** We recommend that federal sharing checks be restrictively endorsed immediately upon receipt at the Police Department. The endorsement should be placed on checks at the point mail is opened and the nature of the check is identified. The restriction should state "For Deposit Only" to the appropriate account number.

**Reports Issued  
Office of the City Auditor  
Scottsdale, Arizona**

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**Community Services**

*WestWorld Contract Compliance*, Report No. 9103, September 1993

*Scottsdale Cultural Council Contract Administration Progress*, Report No. 8903.1, May 1993

*Tournament Players Club Contract Compliance and Related Issues*, Report No. 9102, December 1991

*Scottsdale Cultural Council Contract Performance and Compliance*, Report No. 8903, April 1990

**Financial Services**

*Accounts Payable Control Review*, Report No. 9203, June 1995

*Scottsdale Water Service Company Contract Compliance*, Report No. 8802C, January 1994

*City Parcel Database*, Report No. 8902.1A, December 1992

*Progress Since 1989 In Property Tax Management, City of Scottsdale/Maricopa County*, Report No. 8902.1 and 9002, October 1992

*Utility Bill and Tariff Costs, Scottsdale Water Service Company, City of Scottsdale*, Report No. 8802B, October 1991

*Utility Bill and Tariff Costs, City of Scottsdale*, Report No. 8802A, April 1991

*Property Tax Management Practices, City of Scottsdale/Maricopa County*, Report No. 8902, September 1989

**Transportation**

*Attestation Audit on Urban Mass Transportation Administration Reports and Related Scottsdale Connection*, Report No. 9001, September 1990

**Municipal Services**

*Capital Improvement Program Control Review*, Report No. 9101, November 1994

## **Planning and Development**

*Section 8 Transactions Report*, Report No. 9403A, September 1995

*City Section 8 Housing Assistance Program Operations*, Report No. 9403, June 1995

*Follow-Up of CDBG Internal Control Weaknesses*, Report No. 9004.1, April 1994

*Investigation of Internal Control Weaknesses Involving Community Development Block Grant Funds and Other City Resources*, Report No. 9004, April 1990

## **General Government, including automated systems**

*Controls Over Outside Law Firm Use*, Report No. 9515, February 1996

*Follow-up Of City Court Financial And Operational Management*, Report No. 9003.1, June 1996

*Controls Over Outside Law Firm Use*, Report No. 9515, February 1996

*Survey Of City Asset Management*, Report No. 9405, February 1996

*City Clerk Operational Audit*, Report No. 9201, August 1993

*Dial-In Security System Project Evaluation*, Report No. 9010B, December 1992

*Scottsdale City Court Financial and Related Operational Management Practices*, Report No. 9003, May 1991

*Investigation of Internal Control Weaknesses in the Communication Services Section in the Office of Management Systems*, Report No. 9005, December 1990

*Office of Management Systems General Controls*, Report No. 8905, September 1990

*Preliminary Survey Covering City of Scottsdale Automated Systems*, Report No. 8904, November 1989

*Perquisite Management Practices*, Report No. 8801, April 1989

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## **Police/Fire**

*RICO Imprest Account Oversight and Control Progress*, Report No. 9105.1, October 1995

*Scottsdale Police Department Imprest and RICO Financial and Related Operational Management Practices*, Report No. 9105, August 1991

*Attestation Audit on Inventory Moved During Police Property and Evidence Room Relocation in February 1989*, Report No. 8901, April 1989

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